

2009

Annual Report



CIC Asset
Management Inc.

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Managing Director's Message

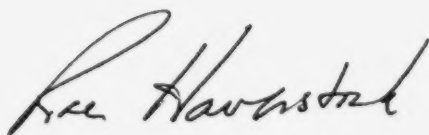
CIC Asset Management Inc. (CIC AM or the Corporation) experienced a year of transition in 2009. The Corporation was formerly known as Investment Saskatchewan (IS) and effective July 1, 2009, was renamed CIC AM. The Corporation's mandate is now focused on managing the existing portfolio of investments with a view to divesting its assets in an orderly manner.

The Corporation had unsurpassed earnings of \$691.0 million in 2008 due to the gain on the sale of Saskferco Products Inc. In contrast, the Corporation is reporting a loss of \$32.8 million in 2009 due largely to the negative contributions from Big Sky Farms and Performance Plants. Due to the nature of its business, CIC AM's financial performance is directly tied to its investment portfolio. Volatile financial results can be expected.

Investment activity has been significantly curtailed. The Corporation is now focused on the prudent management of its existing portfolio and is fulfilling previous commitments and making add-on investments where it appears that additional disbursements will protect the asset to the point that the Corporation can make a suitable divestiture.

The Corporation has continued to be self-supporting in its operations. Investments have been funded from proceeds on its portfolio. The Corporation received a final escrow payment from the Saskferco sale which enabled it to provide a distribution to Crown Investments Corporation of Saskatchewan (CIC) of \$34.0 million.

I am pleased to report CIC AM's financial results for 2009 and wish to pass on my appreciation to the Corporation's staff for their efforts during this year of significant transition.



Rae Haverstock

Managing Director

Corporate Profile

CIC Asset Management Inc. was formerly known as Investment Saskatchewan Inc. (IS). On July 1, 2009, the corporate name was changed to reflect a new mandate adopted at the end of 2008, and the Corporation now operates as a division of CIC.

This is a return to a previously existing structure for the Corporation. Prior to its creation in September 2003, Investment Saskatchewan Inc. was known as CIC Industrial Interests Inc. (CIC III), and it operated as a division of CIC at that time.

MANDATE

To prudently manage and divest an existing portfolio of investments on behalf of the Province.

MISSION

To support an effective liquidation of the Corporation's investment portfolio that optimizes financial and public policy outcomes.

VALUES

INTEGRITY

We are trustworthy, respectful of others, and accountable. We honour our commitments and conduct our business ethically.

SOCIAL RESPONSIBILITY

We demonstrate good corporate citizenship through volunteerism, diversity, sponsorship and environmental responsibility.

EXCELLENCE

We hold ourselves to the highest business standards, striving to achieve our full potential and inspiring others to attain theirs.

LEADERSHIP

We provide guidance and inspiration, valuing the contributions of our employees and partners. We work together to achieve our common objectives.

2009 Year In Review

CONSOLIDATED RESULTS

SUMMARY OF RESULTS:

- Net loss of \$32.8 million.
- Proceeds from the sale and collection of investments of \$7.2 million.
- Proceeds of \$37.4 million including interest from funds held in escrow from the 2008 sale of Saskferco.
- Distribution of \$34.0 million to CIC.
- Net investment disbursements of \$7.0 million, including commitments made in previous years.

FINANCIAL PERFORMANCE:

CIC AM's financial performance is closely tied to the performance of its investment portfolio.

With a \$32.8 million loss, CIC AM's earnings were lower than its target of \$18.7 million in net earnings. The lower than budgeted performance is primarily attributable to the financial difficulties experienced by Big Sky Farms as a direct result of the adverse market conditions it has operated in during the last few years.

The hog industry is cyclical and the current ebb has been extended due to complicated Country of Origin requirements, the impact of H1N1 on demand, high feed prices, and a high Canadian dollar in comparison to the U.S. dollar. Big Sky Farms was granted protection from creditors under *The Companies' Creditors Arrangement Act* (CCAA) on November 10, 2009.

In reviewing Big Sky Farms financial status, CIC AM determined that a write-down was required, and reduced its carrying value on the company to \$nil. The Corporation anticipates that Big Sky Farms will be restructured and will emerge from CCAA in 2010.

Another contributing factor to CIC AM's negative earnings was a \$7.6 million write-down in the Corporation's investment in Performance Plants Inc. The Corporation recorded the impairment as a result of a decision made subsequent to year end by Performance Plants' Board of Directors to wind down the operations of the company, as a result of ongoing delays in moving its product towards a market-ready stage.

The Corporation has remained self-sustaining in its operations. CIC AM, the legal entity, invested \$5.9 million in 2009 to support existing investments or to fulfill commitments previously made. It will absorb the financial loss reported this fiscal year, and its positive cash position enabled it to provide a distribution to Crown Investments Corporation of \$34.0 million.

2009 Year In Review

PERFORMANCE MANAGEMENT:

	2009	2008	2007	2006	2005
Dollars directly invested ¹	\$5.9 M	\$22.4 M	\$53.3 M	\$38.6 M	\$9.3 M
Sale of investments and collections ²	\$7.2 M	\$808.1 M	\$19.9 M	\$36.0 M	\$45.0 M
Dividends received from investment ³	\$0.8 M	\$68.3 M	\$31.6 M	\$2.5 M	\$21.1 M
Distributions paid to CIC as shareholder	\$34.0 M	\$792.8 M ⁴	\$169.8 M	\$0.0 M	\$42.3 M

CIC AM's financial statements report consolidated activity in accordance with generally accepted accounting principles in Canada. This section reports on direct investment of CIC AM as a legal stand-alone entity.

Consolidated activity

Includes \$79.8 million paid on behalf of 2006

Includes \$10.3 million paid on behalf of 2007

DIRECT INVESTMENT ACTIVITY:

In 2009, CIC AM, as a legal stand-alone entity, directly engaged in \$5.9 million of investment activity.

Investments were placed with existing investees to support the prudent management of the Corporation's portfolio. The major investments were:

- \$1.7 million exercise of warrants in Phenomenome Discoveries Inc.
- \$1.1 million loan to Can Pro Ingredients Ltd.
- \$0.4 million loan to Corporation HET

Disbursements made to fulfill earlier commitments were:

- \$1.5 million equity in VendAsta Technologies Inc.
- \$0.3 million equity in Foragen Technologies Limited Partnership

At December 31, 2009, the Corporation had outstanding investment commitments of:

- \$0.6 million to Foragen Technologies Limited Partnership

- \$0.9 million to VendAsta Technologies Inc.
- \$4.1 million to the Crown Fund

DIVESTITURES, COLLECTIONS AND DIVIDENDS:

On a non-consolidated basis, CIC AM directly received \$42.2 million in proceeds from the collection and sale of investments which included:

- A final release from escrow of \$36.7 million from the 2008 sale of Saskferco.
- Divestitures through sales or loan repayments of Minds Eye Entertainment, Woodland Lanes and Fytokem Products provided proceeds totaling \$0.3 million.
- Principal repayments of outstanding debt investments contributed to most of the remaining \$4.5 million.

COMMUNITY INVOLVEMENT:

CIC AM supported its public purpose by making contributions through donations and sponsorships to various community and charitable causes. The Corporation's 2009 community support contributions exceeded \$79,000.

The funds supported students from the University of Regina and the University of Saskatchewan in honing their business skills at a JDCWest competition. The Corporation has provided scholarships at both universities including two scholarships for aboriginal students. Support was also provided to students involved in business studies at the four SIAT campuses.

CIC AM also supported Junior Achievement, Special Olympics Saskatchewan, First Nations Awards Inc., Global Vision, and Springboard West Innovations.

The Portfolio of Investments

INVESTMENT	BOOK VALUE AT DEC. 31, 2009 (\$ MILLIONS)	ACCOUNTING TREATMENT		
		FAIR VALUE	COST	EQUITY
Big Sky Farms Inc. - Debt	-			
Big Sky Farms Inc. - Equity	-			
Centennial Foods Partnership	0.5			
Foragen Technologies Limited Partnership	2.7			
Meadow Lake Pulp Limited Partnership	30.9			
Prairie Ventures Limited Partnership	8.0			
Saskatchewan Valley Potato Corporation	1.6			
TOTAL CONSOLIDATED ENTITIES	43.7			
Bioriginal Food & Science Corp.	1.7			*
Can Pro Ingredients Ltd.	3.6			*
Corporation HET	1.6			*
Crescent Point Energy Corp.	22.1	*		
Delphi Energy Corp.	0.1	*		
Jump.ca Wireless Supply Corp.	9.2			*
Just Energy Exchange Corp.	1.3	*		
L&M Wood Products Limited Partnership	-			*
MCN BioProducts Inc.	1.5		*	
Meadow Lake OSB Limited Partnership	24.6			*
Performance Plants Inc.	-		*	
Phenomenome Discoveries Inc.	6.9		*	
Premium Brands Holdings Corp.	17.0	*		
Quantec Geoscience Limited	3.0		*	
Small Investment Portfolio	0.9	*	*	
Solido Design Automation Inc.	0.7			*
Targeted Growth Inc.	8.7		*	
VendAsta Technologies Inc.	2.0			*
Western Life Sciences Venture Fund LP	0.1			*
YM Biosciences Inc.	0.0	*		

The Portfolio of Investments

INVESTMENT	BOOK VALUE AT DEC. 31, 2009 (\$ MILLIONS)	ACCOUNTING TREATMENT		
		FAIR VALUE	COST	EQUITY
Can Pro Ingredients Ltd.	3.1		*	
Corporation HET	0.4		*	
Kitsaki Zelensky Limited Partnership	0.3		*	
L&M Wood Products Limited Partnership	1.8		*	
Meadow Lake Mechanical Pulp	1.7		*	
Terra Grain Fuels Inc. ¹	22.0		*	
Crown Fund includes the following in addition to shares in Big Sky and Bioriginal:				
Axia NetMedia Corporation	0.8	*		
Clothing for Modern Times Ltd.	14.5	*	*	
ETEC Environmental Technologies Equipment Corp.	-		*	
Stegg Limited	6.1		*	
Foragen Technologies Limited Partnership	2.5		*	*
Prairie Ventures Limited Partnership ²	13.0	*	*	
TOTAL CONSOLIDATED INVESTMENTS	173.4			

¹ Book value less than \$0.1 million

² Prairie Ventures Limited Partnership includes an equity investment of \$0.5 million in Just Energy Exchange Corp. and a debt investment of \$2.9 million in Terra Grain Fuels Inc.

The Portfolio of Investments

The following is a breakdown of CIC AM's significant direct investments at December 31, 2009.

EQUITY AND LOAN INVESTMENTS:

BIG SKY FARMS INC.

Big Sky Farms operates a number of farrow-to-finish hog production facilities in Saskatchewan.

BIORIGINAL FOOD & SCIENCE CORP.

Bioriginal is a global provider of innovative essential fatty acid solutions. Its products are used in nutraceuticals, functional foods, skin care products, cosmetics, animal feed, veterinary products and over-the-counter pharmaceuticals.

CAN PRO INGREDIENTS LTD.

Can Pro Ingredients will manufacture an array of canola and alfalfa-based products including a fishmeal replacement from canola for aquaculture, canola oil for animal feed products, pellets made from alfalfa and canola hulls.

CORPORATION HET - HORIZON ENVIRONMENTAL TECHNOLOGIES

Corporation HET was created to commercialize a yeast-based technology developed by the University of Quebec. HET intends to use its technology to produce a high value animal feed from cheese whey.

CRESCENT POINT ENERGY CORPORATION (CPE)

Crescent Point Energy is a publicly-traded conventional oil and gas producer with significant holdings in Southwest Saskatchewan. In 2009, Crescent Point acquired the shares of Wave Energy Ltd. CIC AM previously held an equity position in Wave Energy.

JUMP.CA WIRELESS SUPPLY CORP.

Jump.ca sells wireless products and services including cellular phones, wireless data solutions, high speed internet, interactive television and monitored security systems.

JUST ENERGY EXCHANGE CORP.

Just Energy sells natural gas and electricity to residential and commercial customers. In 2009, Just Energy acquired the shares of Universal Energy Group (UEG). CIC AM held shares in UEG through an exercise of warrants held in Terra Grain Fuels.

L & M WOOD PRODUCTS

L & M Wood Products is an established saw mill and post plant operation based in Glaslyn, Saskatchewan.

The Portfolio of Investments

MCN BIOPRODUCTS INC.

MCN BioProducts is a technology company focused on unlocking the value of canola for use in large feed, food and cosmetic markets.

MEADOW LAKE MECHANICAL PULP INC.

Meadow Lake Mechanical Pulp owns and operates a zero-effluent chemithermomechanical pulp mill located near Meadow Lake. The mill was previously owned by Meadow Lake Pulp Limited Partnership.

MEADOW LAKE OSB LIMITED PARTNERSHIP

North West Communities, Meadow Lake Tribal Council, Tolko Industries Ltd. and CIC AM formed a partnership in 2002 to build and operate an oriented strand board facility in the vicinity of Meadow Lake, Saskatchewan. The mill is managed by Tolko.

PERFORMANCE PLANTS INC.

Performance Plants focuses on gene evaluation and the development of agronomically important plant traits and brings innovative crop technologies to the market.

PHENOMENOME DISCOVERIES INC.

Phenomenome Discoveries Inc. is a human health research company which has identified novel, non-invasive blood serum diagnostic biomarkers for human health disorders.

PREMIUM BRANDS HOLDINGS CORPORATION

Premium Brands owns a broad range of leading branded specialty food businesses with manufacturing and distribution facilities located throughout Western Canada.

QUANTEC GEOSCIENCE INC.

Quantec provides geophysical consulting services to the mining industry with a focus on data acquisition, interpretation and survey execution.

SOLIDO DESIGN AUTOMATION INC.

Solido is an electronic design automation company pioneering transistor-level design enhancement solutions for analog/mixed-signal design, as well as custom digital and memory design.

TARGETED GROWTH INC.

Targeted Growth was formed to commercialize technologies discovered at the University of Washington and the Fred Hutchinson Cancer Research Center. The company modifies genes to improve yields in commercial crops.

The Portfolio of Investments

TERRA GRAIN FUELS INC.

Terra Grain Fuels operates a 150 million litre per year wheat-based ethanol plant near Belle Plaine, Saskatchewan.

VENDASTA TECHNOLOGIES INC.

VendAsta Technologies Inc. designs software to track, manage and market complex capital assets.

FUNDS:

FORAGEN TECHNOLOGIES LIMITED PARTNERSHIP

Foragen Technologies Limited Partnership is an early-stage seed capital fund with a mandate to commercialize early-stage, advanced agricultural technologies from sources primarily in Canada.

PRAIRIE VENTURES FUND

Prairie Ventures Fund is an institutional venture capital fund which includes investment by approximately 20 Credit Unions, CIC AM, and a number of private entities or individuals.

WESTERN LIFE SCIENCES VENTURE FUND

Western Life Sciences Venture Fund is an early-stage seed capital fund with a mandate to invest in companies involved in the commercialization of medical and pharmaceutical technology from sources throughout Western Canada.

OUTSOURCED PORTFOLIO:

CROWN FUND

In 2007, CIC AM acquired \$55 million in assets known as the Crown Fund through the sale of Crown Life Insurance Company (Crown Life) to Canada Life Assurance Company by HARO Financial Corporation (HARO) and Extendicare REIT. CIC AM held the financial interest in HARO. The Crown Fund assets are part of a package of investments previously owned by Crown Life which continue to be managed by Crown Capital Partners on behalf of CIC AM.

These Crown Fund assets included equity investments in Big Sky Farms Inc. and Bionigral Food and Science Corp. CIC AM also holds shares in these two Corporations independent of the Crown Fund. Other major Crown Fund investments that are managed by Crown Capital Partners include Axia NetMedia Corporation, Clothing for Modern Times Ltd. and Stegg Limited.

2009 Balanced Scorecard

CUSTOMER AND STAKEHOLDER

2009 OBJECTIVE	MEASURES	2009 ACTUAL	2009 TARGET	2010 TARGET
To prudently manage and divest its existing portfolio	Number of investments divested	3	7	9

Definitions:

Assets divested – Prudent divestiture of investment assets

FINANCIAL

2009 OBJECTIVE	MEASURES	2009 ACTUAL	2009 TARGET	2010 TARGET
To monitor and report on returns achieved by the portfolio	Net income (loss)	(\$32.8 M)	\$18.7 M	\$5.2 M
	Contingent liabilities to current assets ratio	59%	37%	48.7%
	Dividends to CIC	\$34.0 M	\$165.1 M	--
	Proceeds from investment sales and loan repayments	\$42.2 M	new measure in 2010	\$29.0 M

Definitions:

Net Income – Per CIC AM financial statements

Contingent Liabilities to Current Assets – CIC AM establishes provisions for environmental and legal liabilities related to assets. This ratio is a measure of the Corporation's financial flexibility

Dividend/Share Redemption – Per CIC Distribution policy

Proceeds from investment sales and loan repayments – New target for 2010. Measures non-consolidated proceeds received directly by CIC AM as an independent legal entity

2009 Balanced Scorecard

PUBLIC PURPOSE

2009 OBJECTIVE	MEASURES	2009 ACTUAL	2009 TARGET	2010 TARGET
To contribute to shareholder priorities by supporting business development, community organizations and the environment	Annually review provisions for environmental liabilities and progress on required remediation	100%	100%	(1)
	Annual sponsorship of business development, community, youth and the environment	\$79.8K	\$140K	(1)
	Purchase of goods and services from Sask. suppliers	97.7%	97%	(1)

Definitions:

Environmental Liabilities and Remediation – % of files reviewed annually where known environmental liabilities exist to ensure the Corporation has appropriate contingencies and plans for remedial action where required

Annual Sponsorships – The amount of sponsorships to community and charitable organizations, environmental research, entrepreneurial and business start-up education, business students and organizations supporting youth

Purchase of Goods and Services from Sask. suppliers – % of Saskatchewan suppliers as listed in the CIC AM vendor list

(1) 2010 targets are not set as CIC AM's strategic initiatives/pursuits will be 100% part of CIC's overall corporate efforts

HUMAN RESOURCES AND ORGANIZATION

2009 OBJECTIVE	MEASURES	2009 ACTUAL	2009 TARGET	2010 TARGET
To retain and motivate our staff to achieve	Average training hours per employee	42.5	37.5	(1)

Definitions:

Training Hours – Average training hours undertaken by CIC AM staff (5.5 employees)

(1) 2010 targets are not set as due to reduced to CIC AM's internal operations will be 100% of CIC's overall corporate efforts

Management's Discussion & Analysis

For The Year Ended December 31, 2009

INTRODUCTION

To assist readers in assessing the results of CIC Asset Management Inc. ("CIC AM" or the "Corporation") as a consolidated entity, management has included audited consolidated financial statements, in accordance with Canadian generally accepted accounting principles ("GAAP"), which include CIC AM's interests in the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures, in addition to those of the CIC AM legal entity.

CIC AM measures returns on investments through its share of investment earnings or losses, dividends, loan repayments, the increase or decrease in the value of investments, and internal rate of return. The Corporation safeguards its assets and manages its expenses, liabilities and cash flows.

Management's Discussion and Analysis ("MD&A") has been prepared on a consolidated basis, corresponding with the audited financial statements presented herein.

Many sections of the MD&A contain forward looking information about the Corporation. This information reflects management's expectations and intentions at the time of writing. As such, risks and uncertainties could cause actual future results to differ materially from those anticipated.

CORPORATE BACKGROUND

CIC Asset Management Inc. has a mandate to prudently manage and divest of its portfolio of investments. The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. On July 1, 2009, the Corporation officially changed its name to CIC Asset Management Inc. (formerly Investment Saskatchewan Inc.).

Effective September 10, 2009, by Order in Council 653/2009, which made effective *The Crown Corporation Amendment Regulations, 2009*, the Corporation is no longer a designated subsidiary Crown corporation. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

Management's Discussion & Analysis

The Corporation prepares its consolidated financial statements in accordance with Canadian GAAP applied on a consistent basis. The accounting policies are summarized in Note 3 to the accompanying consolidated financial statements. Those accounting policies and estimates of significance are highlighted below.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates require management to make subjective or complex judgments. These include the useful life of depreciable assets used to compute amortization; asset impairment; carrying amounts of, and appropriate accounting for, investments; provisions for contingencies related to environmental clean-up activities; insurance obligations; and accounting for variable interest entities. Accordingly, actual results could differ from these and other estimates thereby impacting future results by a material amount.

CONTINGENCIES

The Corporation will accrue a potential liability if it is likely and it can reasonably be estimated, based on information available at the time.

CONSOLIDATION PRINCIPLES AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of CIC Asset Management Inc. and its subsidiaries:

- Big Sky Farms Inc.
- CIC Foods Inc. (Centennial)
- CIC FTLP Holdings Inc. (Foragen)

- CIC FTMI Holdings Inc.
- CIC OSB Products Inc. (ML OSB)
- CIC Pulp Ltd. (MLPLP)
- CIC PVF Holdings Inc. (Prairie Ventures Limited Partnership)
- CIC Swine Genetics (NL) BV
- CIC WLSVF Holdings Inc. (Western Life Sciences Venture Fund)
- HARO Financial Corporation (HARO)
- Investment Saskatchewan Swine Inc.
- Invest Sask Holdings Inc.
- IS Belle Plaine Holdings Inc.
- Saskatchewan Valley Potato Corporation
- 101069101 Saskatchewan Ltd. (holds 2005 MLPLP debt purchase)
- 101039181 Saskatchewan Ltd.

All material inter-company transactions are eliminated on consolidation.

Big Sky Farms Inc. has been consolidated up to November 10, 2009, the date it entered into creditor protection under the *Companies Creditors Arrangement Act*. Subsequent to this date, the investment in Big Sky Farms Inc. has been recorded as a cost basis investment.

INVESTMENTS

The consolidated financial statements also include cost, fair value and equity based investments held by CIC AM. Investments in the form of loans and other advances are recorded at amortized cost using the effective interest method. Where the Corporation has investments over which it exercises significant influence, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Management's Discussion & Analysis

Investments in which the Corporation does not exercise significant influence are recorded at fair value unless the investment does not have a readily available market value. Such investments that do not have a readily available market value are recorded at cost. Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

Where there has been a decline in the value of an investment which is not considered temporary, the investment is written down to its estimated fair value.

JOINT VENTURES

The consolidated financial statements include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses and cash flows of joint venture interests. The Corporation's share of jointly controlled enterprises is as follows:

- Foragen Technologies Limited Partnership 33.3%
- Centennial Foods Partnership 33.1%

CONSOLIDATION OF VARIABLE INTEREST ENTITIES

Under Canadian GAAP, consolidation principles are applied to certain entities that are not subject to control on the basis of ownership of voting interests. These entities are known as variable interest entities ("VIE").

VIE accounting principles apply if an enterprise holds economic interests in an entity which expose that enterprise to the majority of the entity's risks, or if no one holds such a majority, the majority of its rewards.

The Corporation has determined that MLPLP is a VIE and has consolidated it in the Corporation's financial statements.

Management's Discussion & Analysis

SUMMARY OF KEY FINANCIAL RESULTS

(\$ millions)

	2009	2008
Net earnings (loss)	(32.8)	691.0
Earnings (loss) from continuing operations	(28.9)	740.3
Provision for/loss from discontinued operations	(3.9)	(49.3)
Total revenue	119.5	893.0
Total expenses	131.9	164.1
Total investments	173.4	174.2
Total assets	392.8	564.5

RESULTS OF OPERATIONS

This section focuses on significant changes in CIC Asset Management's consolidated financial results for the year ended December 31, 2009 as compared to the year ended December 31, 2008, and should be read in conjunction with the audited consolidated financial statements included in this annual report.

The net loss was \$32.8 million in 2009, as compared to net earnings of \$691.0 million in 2008, a decrease of \$723.8 million. This decrease was mainly attributable to the sale of the Corporation's interest in Saskferco Products Inc., which resulted in a gain of \$679.8 million during 2008.

Consolidated revenue was \$119.5 million, \$773.5 million lower than the 2008 consolidated revenue of \$893.0 million. This decrease was primarily due to a decrease in the gain on sale of investments of \$679.8 million. Sale of goods and services, interest and other revenue and earnings from equity basis investments also decreased as compared to the prior year by \$16.4 million, \$10.7 million and \$66.8 million respectively.

The Corporation's consolidated gain on sale of investments was \$10.8 million during 2009 (2008 - \$690.6 million). As discussed above, this decrease is due to the gain on the

sale of Saskferco Products Inc. during 2008 in the amount of \$679.8 million.

Sales of goods and services decreased to \$99.2 million (2008 - \$115.6 million). This reduction was due to lower sales of goods and services from the operations of Big Sky Farms as the H1N1 virus put pressure on sales volumes. Also contributing to lower sales of goods and services was the fact that the Corporation recorded revenues from Big Sky Farms up until November 10, 2009, after which time the company entered into protection under CCAA. As a result of the CCAA process, the investment was recorded on a cost basis as management determined that CIC AM no longer exerted control or significant influence over Big Sky Farms.

Consolidated interest and other revenues decreased to \$15.4 million (2008 - \$26.1 million). This decrease is predominantly due to lower income earned from the operations of Big Sky Farms. In the prior year, Big Sky Farms recorded larger gains relating to futures contracts and amounts received from government programs. Also contributing to the decrease was lower earnings on cash and cash equivalents due to the depressed interest yields experienced throughout the year.

Management's Discussion & Analysis

Consolidated earnings from equity investments decreased to a loss of \$6.0 million (2008 – earnings of \$60.8 million). Wide fluctuations in earnings from equity based investments demonstrate how CIC AM's

performance is closely tied to the performance of the underlying investment portfolio. Earnings from equity based investments were as follows:

EARNINGS FROM EQUITY INVESTMENTS

(\$ millions)

	2009	2008
Bioriginal Food & Science Corp.	(0.3)	(1.2)
Can Pro Ingredients Ltd.	(1.5)	(0.2)
Clinicare Corporation	(0.6)	(1.0)
Corporation HET	(1.0)	(0.4)
Jump.ca Wireless Supply Corp.	1.7	1.5
L&M Wood Products Limited Partnership	(0.6)	(0.6)
Meadow Lake Mechanical Pulp Inc.	0.0	1.4
Meadow Lake OSB Limited Partnership	(3.0)	(5.4)
Saskferco Products Inc.	0.0	69.4
Solido Design Automation Inc.	(0.8)	(0.8)
Western Life Sciences Venture Fund	0.3	(1.9)
Other	(0.2)	0.0
TOTAL	(6.0)	60.8

Prior to the sale of Saskferco Products Inc., solid earnings were recorded due to continued strong urea and ammonia sales volumes and increased pricing, resulting in \$69.4 million in earnings from this investment in 2008, whereas, no contribution was included for the year ending December 31, 2009.

Consolidated expenses decreased \$32.2 million to \$131.9 million (2008 – \$164.1 million). This is mainly due to reduced operating costs of \$30.6 million at Big Sky Farms. In addition to recording amounts up until November 10, 2009, this reduction was due to improved efficiencies in the production process and lower input costs as a result of reduced sales volumes.

During the year, the Corporation recorded a provision for impairment of assets in the amount of \$17.9 million. This provision relates entirely to the assets of Big Sky Farms. After taking this provision, CIC AM's carrying value of its investment in equity and subordinated debt in Big Sky Farms is \$nil. The Corporation also recorded write-down of investments and provisions for loan losses totaling \$9.0 million. The majority of this amount relates to the Corporation's \$7.6 million write-down of its interest in Performance Plants, resulting in a remaining carrying value of \$nil. This write-down was taken as Performance Plants has decided to liquidate its assets and discontinue operating as a going concern.

Management's Discussion & Analysis

Net loss from continuing operations were \$28.9 million, compared to net earnings of \$740.3 million for 2008. The discussion above details the major variances that resulted in the significant deterioration from the prior year.

The net loss from discontinued operations totaled \$3.9 million as compared to \$49.3 million in the prior year.

Included in discontinued operations are environmental liabilities relating to the indemnity provided by the former Crown corporation, PAPCO, for both the Prince Albert pulp mill and ERCO Worldwide sites. While the Corporation did not own or have involvement in the operations of PAPCO, the decision by CIC to amalgamate PAPCO with CIC Asset Management transferred the environmental indemnity obligations of PAPCO to the amalgamated entity. During the current year, a provision of \$3.6 million was recorded to update the recorded liability for expected inflation. In the prior year, an external study was completed to estimate costs to remediate the ERCO Worldwide sites. Based on this study, a provision for environmental costs of discontinued operations of \$48.2 million was recorded during the prior year.

Also included in discontinued operations are specific assets identified within the operations of Big Sky Farms being held for resale. The sale of these assets resulted in a loss of \$0.2 million during the year (2008 - \$1.1 million).

As part of the final closing of the sale of Crown Life Insurance Company to Canada Life Assurance Company, the Corporation issued a letter of credit for \$28.9 million (2008 - \$31.4 million) to Canada Life Assurance Company as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life Insurance Company that are deemed to be the responsibility of the previous owners. The letter of credit was reduced during the year due to the reduction in estimated litigation matters. The Corporation recorded a provision of \$10.9 million (2008 - \$12.5 million) as its best estimate of the actual cost of such contingent liabilities.

LIQUIDITY

The Corporation finances capital requirements through internally generated cash flow, cash returns from investments and borrowings from the General Revenue Fund ("GRF") and external financial institutions. The GRF may borrow in capital markets on behalf of CIC Asset Management and has ample access to capital markets for any potential borrowing requirements. The past borrowings from the GRF, along with the related sinking funds, were transferred from CIC to CIC Asset Management effective October 1, 2003. Borrowings from the GRF totaled \$nil at December 31, 2009 (2008 - \$0.0 million).

OPERATING, INVESTING AND FINANCING ACTIVITIES

CASH FLOW HIGHLIGHTS (\$ millions)

	2009	2008
Cash provided by (used in) operating activities	(6.5)	59.1
Cash provided by investing activities	39.6	789.2
Cash used in financing activities	(33.1)	(801.6)
(Decrease) increase in cash position	0.0	46.7
Cash position, end of year	175.6	175.6

Management's Discussion & Analysis

Cash used by operating activities for the year ending December 31, 2009 was \$6.5 million. For the same period in 2008, cash provided by operating activities was \$59.1 million. The reason for the negative variance between the comparable periods is mainly due to dividends received from Saskferco in the prior period of \$68.3 million. As the Saskferco investment was sold during 2008, \$nil was received in 2009.

The Corporation generated \$39.6 million in investing activities during the year ending December 31, 2009. The consolidated entity purchased investments in the amount of \$7.0 million.

CIC AM, the legal entity, honored previous commitments made to VendAsta Technologies Inc. and Foragen Technologies Limited Partnership (Foragen) in the amount of \$1.5 million and \$0.3 million respectively. In addition, the Corporation provided protective disbursements of \$1.7 million to Phenomenone Discoveries Inc., \$1.1 million to Can Pro Ingredients Ltd., \$0.4 million to Corporation HET and smaller amounts totaling \$0.9 million to other existing investees.

The investment purchases detailed above are what the CIC AM legal entity made during 2009. Upon consolidation, the investment in Foragen is eliminated. This elimination is offset by investments made by the consolidated subsidiaries Prairie Ventures Limited Partnership and Foragen in the amount of \$1.4 million.

Offsetting the uses of cash discussed above were proceeds of \$7.2 million realized from collection and sale of investments, receipt of funds held in escrow relating to the Saskferco and Centennial Foods sale in the amount of \$38.7 million and net proceeds from property, plant and equipment of \$2.1 million.

Cash used in financing activities by the Corporation was \$33.1 million during the year ending December 31, 2009. The major use of cash in this area related to a

dividend paid to our shareholder Crown Investments Corporation of Saskatchewan in the amount of \$34.0 million. Financing activities also included long-term debt repayments totaling \$3.0 million, of which subsidiaries accounted for the entire amount, while new long-term debt of subsidiaries increased \$0.5 million. Subsidiaries also increased their bank indebtedness by \$4.3 million and paid dividends of which the amount paid to minority interests was \$0.9 million.

RISK MANAGEMENT

Investments and related risks are diligently monitored on an ongoing basis with periodic reporting to the Corporation's executive and the Board of Directors pertaining to investment returns, risks and investment retention or sale.

CIC AM regularly assesses the appropriateness of the carrying value of investments, and writes down an investment if it determines that there is a decline in the value of an investment that is not considered temporary. Notwithstanding these write-downs and provisions, the Corporation continues to strive to maximize the ultimate returns from these investments.

OUTLOOK

CIC AM's outlook related to investment values, earnings and cash flow performance, as well as dividend payment and self-supporting abilities, is highly dependent on the performance and management of the underlying investment portfolio.

The commodity-based environments in which major investments operate are volatile, resulting in negative earnings if there are downturns in these markets. Management will continue monitoring investment market conditions for possible impairment of investments and will take provisions if required.

Management's Discussion & Analysis

CIC AM is cautiously optimistic that it will be profitable in 2010, despite anticipated challenges faced by some investments and the tough economic climate.

Although dependant on receipt of cash flows from investments, CIC AM anticipates being self-supporting in cash requirements. Dividends to be declared to the Corporation's shareholder in 2010 are dependent on these same factors. A distribution of \$34.0 million was declared and paid during 2009.

CIC AM anticipates exiting a number of investments in 2010, but no investments have been included in the consolidated financial statements as assets held for disposal. The current tough economic conditions may result in a decision to delay some of the anticipated exits if it is felt that the current market value cannot be maximized during 2010.

Management's Responsibility for Financial Statements

The accompanying financial statements included in the annual report of **CIC Asset Management Inc.** for the year ended December 31, 2009 are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. Financial information presented elsewhere in this annual report is consistent with the financial statements.

Management maintains a system of internal controls to support the integrity of information that forms the basis of the financial statements. The internal control systems provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements by meeting periodically with management as well as with the external auditor and the Provincial Auditor of Saskatchewan. The Board of Directors have met with management, the external auditor, and the Provincial Auditor of Saskatchewan to review the Corporation's annual consolidated financial statements and have given their final approval.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Corporation's Board of Directors.



Rae Haverstock
Managing Director

February 26, 2010

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of **CIC Asset Management Inc.** (formerly Investment Saskatchewan Inc.) as at December 31, 2009 and the consolidated statements of operations and retained earnings, comprehensive income (loss), accumulated other comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

February 26, 2010

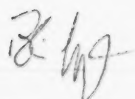
Consolidated Statement of Financial Position

As at December 31
(thousands)

	2009	2008
ASSETS		
Current		
Cash and cash equivalents (Note 4).....	\$ 175,618	\$ 175,627
Interest and dividends receivable.....	499	783
Accounts receivable.....	1,435	6,029
Inventories.....	-	30,532
Prepaid expenses.....	25	427
Restricted cash (Note 22).....	21,563	57,348
Current assets of discontinued operations.....	-	363
	199,140	271,109
Investments (Note 7).....	173,436	174,154
Property, plant and equipment (Note 9).....	257	84,569
Other assets (Note 10).....	20,000	33,768
Long-term assets of discontinued operations.....	-	911
	\$ 392,833	\$ 564,511
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Bank indebtedness.....	\$ -	\$ 26,082
Accounts payable and accrued liabilities.....	5,990	22,790
Future income taxes.....	-	467
Long-term debt due within one year.....	-	43,795
	5,990	93,134
Environmental liabilities (Note 11).....	9,250	9,538
Environmental liabilities of discontinued operations (Note 11).....	89,325	85,696
Other liabilities (Note 12).....	10,868	12,462
Long-term debt.....	-	15,404
	115,433	216,234
Non-controlling interest.....	7,804	19,144
Shareholder's equity		
Share capital (Note 13).....	180,000	180,000
Contributed surplus.....	136	722
Retained earnings.....	82,355	149,116
Accumulated other comprehensive income (loss) (Note 14).....	7,105	(705)
	269,596	329,133
	\$ 392,833	\$ 564,511

Commitments and contingencies (Note 15)
(See accompanying notes)

On behalf of the Board:



Director

Director



Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands)

	2009	2008
REVENUES		
Sale of goods and services	\$ 99,223	\$ 115,390
Interest and other	15,396	26,058
Earnings from equity basis investments (Note 8 a)	(5,973)	60,782
Gain on sale of investments	10,839	890,589
	119,485	893,019
EXPENSES		
Operating expenses	118,500	147,223
Amortization	7,284	9,996
Financing expense	6,163	6,927
	131,947	164,146
EARNINGS (LOSS) BEFORE THE FOLLOWING	(12,462)	728,873
Provision for environmental liabilities (Note 1 f)	-	(12)
Recovery of (provision for) loan losses (Note 8 b)	(728)	299
Recovery (write-down) of investments (Note 8 c)	(8,222)	85
Provision for impairment of assets (Note 23)	(17,939)	
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(39,351)	729,195
Future income tax recovery	225	9,253
EARNINGS (LOSS) BEFORE NON-CONTROLLING INTEREST	(39,126)	738,448
Non-controlling interest	10,226	1,841
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	(28,900)	740,289
Provision for environmental costs of discontinued operations (Note 1 f)	(3,629)	(8,205)
Loss from discontinued operations (Note 5)	(232)	(1,116)
NET EARNINGS (LOSS)	(32,761)	890,968
RETAINED EARNINGS, BEGINNING OF YEAR	149,116	114
Dividends	34,000	542,996
RETAINED EARNINGS, END OF YEAR	\$ 82,355	\$ 149,116

(All amounts in millions)

Consolidated Statement of Comprehensive Income (Loss)

For the Year Ended December 31
(thousands)

	2009	2008
NET EARNINGS (LOSS)	\$ (32,761)	\$ 690,968
OTHER COMPREHENSIVE INCOME (LOSS)		
Net change in unrealized (losses) gains on available-for-sale investments	10,434	(16,578)
Amounts realized in net earnings (loss)	(2,207)	
Net change in gains on derivative instruments designated as cash flows hedges	-	369
Net change in unrealized foreign currency translation gains (losses)	(417)	153
OTHER COMPREHENSIVE INCOME (LOSS)	7,810	(16,056)
COMPREHENSIVE INCOME (LOSS)	\$ (24,951)	\$ 674,912

(See accompanying notes.)

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

For the Year Ended December 31
(thousands)

	2009	2008
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), BEGINNING OF YEAR	\$ (705)	\$ (5,351)
Other comprehensive income (loss)	7,810	(16,056)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), END OF YEAR	\$ 7,105	\$ (705)

(See accompanying notes.)

Consolidated Statement of Cash Flows

For the Year Ended December 31
(thousands)

	2009	2008
OPERATING ACTIVITIES		
Earnings (loss) from continuing operations.....	\$ (28,900)	\$ 740,289
Dividends from investments - equity basis.....	823	68,303
Items not affecting cash from operations (Note 16).....	16,654	(751,949)
Net change in non-cash working capital balances related to operations (Note 17).....	5,126	3,614
Cash provided by (used in) operating activities from continuing operations.....	(6,297)	60,257
Cash used in operating activities from discontinued operations.....	(232)	(1,116)
Cash provided by (used in) operating activities.....	(6,529)	59,141
INVESTING ACTIVITIES		
Proceeds from collection and sale of investments.....	7,171	808,090
Purchase of investments.....	(6,997)	(21,381)
Proceeds from sale of property, plant and equipment.....	2,663	442
Purchase of property, plant and equipment.....	(568)	(264)
Decrease in restricted cash and other assets.....	37,319	2,273
Cash provided by investing activities.....	39,588	789,160
FINANCING ACTIVITIES		
Repayment of long-term debt.....	(2,988)	(8,098)
Proceeds from long-term debt.....	500	6,716
Increase in bank indebtedness.....	4,271	1,911
Proceeds of share issuance to non-controlling interest.....	(30)	-
Settlement of environmental liabilities.....	-	(2,000)
Dividends paid to minority interests of subsidiaries.....	(821)	(7,292)
Redemption of share capital.....	-	(239,517)
Dividends paid.....	(34,000)	(553,306)
Cash used in financing activities.....	(33,068)	(801,586)
INCREASE (DECREASE) IN CASH POSITION	(9)	46,715
CASH POSITION, BEGINNING OF YEAR	175,627	128,912
CASH POSITION, END OF YEAR (Note 4)	\$ 175,618	\$ 175,627

See accompanying notes.

Notes to Consolidated Financial Statements

December 31, 2009

1. STATUS OF THE CORPORATION

CIC Asset Management Inc. (the "Corporation") has a mandate to prudently manage and divest of its portfolio of investments. The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. On July 1, 2009, the Corporation officially changed its name to CIC Asset Management Inc. (formerly Investment Saskatchewan Inc.). Effective September 10, 2009 by Order in Council 653/2009 which made effective *The Crown Corporation Amendment Regulations, 2009*, the Corporation is no longer a designated subsidiary Crown corporation. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

2. CHANGE IN ACCOUNTING POLICIES

Goodwill and intangible assets

Effective January 1, 2009 the Corporation adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets". Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. This section also provides further information on the recognition of internally generated intangible assets, including research and development costs. Section 3064 carries forward the requirements of the old Section 3062, "Goodwill and Other Intangible Assets". The adoption of Section 3064 has not resulted in a change to the Corporation's current or historical presentation of goodwill and intangibles.

Financial instruments disclosures and presentation

On January 1, 2009, the Corporation prospectively adopted CICA Handbook Section 3862.25-30, "Financial Instruments Disclosure" in the Corporation's annual financial statements for the year ended December 31, 2009. The disclosures required by Section 3862.25-30 provide additional information on the inputs used in determining the appropriate fair value of the Corporation's financial instruments. The additional disclosures required by these standards are provided in Note 18.

FUTURE CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook confirming that Government Business Enterprises along with certain Other Government Organizations will adopt IFRS. As a result, the Corporation is proceeding with the adoption of IFRS.

The Corporation, in tandem with its subsidiaries, has commenced an IFRS conversion project including initiating the development of high level IFRS implementation plans for each subsidiary. An external advisor has been engaged to assist with the development of plans and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Board members have been briefed on IFRS, in general, and the Corporation's project plan has been reviewed by the Board of Directors.

Notes to Consolidated Financial Statements

December 31, 2009

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

Management and staff have participated in detailed IFRS training seminars. An initial assessment of those international financial reporting standards with the highest potential for impacts has been completed. Based on the analysis, potential significant areas of difference are related to accounting for property, plant and equipment, asset retirement obligations, investments, joint ventures, and financial statement disclosures. Selection of accounting policies has been completed and the Corporation believes that conversion projects are progressing according to project plans.

In concert with its subsidiaries the Corporation is working to quantify the IFRS adjustments, and will work towards finalizing the opening 2010 IFRS adjustment by March 2010. The Corporation will be obtaining quarterly reviews under IFRS for internal purposes during 2010, in order to provide comparative information upon transition in 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Subsidiaries

These consolidated financial statements include the accounts of CIC Asset Management Inc. and its subsidiaries:

101069101 Saskatchewan Ltd.
101039181 Saskatchewan Ltd.
Big Sky Farms Inc. (i)
CIC Foods Inc.
CIC FTLF Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC Swine Genetics (NL) BV
CIC WLSVF Holdings Inc.
HARO Financial Corporation
Investment Saskatchewan Swine Inc.
Invest Sask Holdings Inc.
IS Belle Plaine Holdings Inc.
Saskatchewan Valley Potato Corporation

All material inter-company transactions have been eliminated on consolidation.

(i) Big Sky Farms Inc. has been consolidated up to November 10, 2009, the date it entered into creditor protection under the *Companies Creditors Arrangement Act* (CCAA). Subsequent to this date, the investment in Big Sky Farms Inc. has been recorded as a cost basis investment. See Note 2.3 for further details.

Notes to Consolidated Financial Statements

December 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments – equity basis

Where the Corporation has investments over which it exercises significant influence, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Joint ventures

The Corporation has accounted for its joint venture interests using the proportionate consolidation method. The consolidated financial statements therefore include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses, and cash flows of joint venture interests.

The Corporation's share of jointly controlled enterprises included in the consolidated financial statements is as follows:

Foragen Technologies Limited Partnership (Foragen)	33.3%
Centennial Foods Partnership (Centennial Foods)	33.1%

Variable interest entities

The Corporation consolidates certain entities that are not subject to control on a basis of ownership of voting interests. Such an entity is referred to as a variable interest entity ("VIE").

An entity is classified a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that Meadow Lake Pulp Limited Partnership (MLPLP) falls under the classification of a VIE and has been consolidated in these financial statements.

b) Cash and cash equivalents

Short-term investments are recorded at fair value, and have original maturities of three months or less.

c) Disposal of long-lived assets and discontinued operations

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the Statement of Financial Position. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

Notes to Consolidated Financial Statements

December 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Property, plant and equipment

Property, plant and equipment are recorded at cost.

When property, plant and equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Amortization of property, plant and equipment is primarily recorded on the straight-line basis over the estimated productive life of each asset using the following amortization rates:

Equipment 3 - 15 years

e) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flow, earnings multiple and market comparability approaches. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Consolidated Statement of Operations and Retained Earnings before net earnings.

f) Revenue recognition

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer.

Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectability of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income.

Notes to Consolidated Financial Statements

December 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

g) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

h) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely a reasonable estimate of fair value for the assets cannot be determined. Therefore no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in operating expense.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimate of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of long-lived assets. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

i) Environmental liabilities

Environmental liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future expenditures on an ongoing basis.

Notes to Consolidated Financial Statements

December 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial assets and liabilities

The Corporation classifies its financial assets and liabilities into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

All financial assets and liabilities are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial asset or liability. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are recognized immediately in net earnings.

Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are accounted for at fair value, where determinable, with the change in the fair value recognized in net earnings. Cash and cash equivalents and warrants held in the Corporation's investment portfolio have been classified as held-for-trading assets. No financial liabilities have been classified as held-for-trading.

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. Investments that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Available-for-sale investments are written down to fair value through net earnings whenever it is necessary to reflect other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale investments, which are calculated on an average cost basis, are recognized in net earnings.

Held-to-maturity

Financial assets that have a fixed maturity date, where the Corporation intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest method. The Corporation does not have any held-to-maturity investments at December 31, 2009.

Loans and other advances

Loans and other advances are accounted for at amortized cost using the effective interest method.

Financial assets and financial liabilities designated as held-for-trading under the fair value option:

Financial assets and financial liabilities, other than those classified as held-for-trading, are designated as held-for-trading under the fair value option if they are reliably measurable, meet one or more of the criteria set out below, and are so designated by the Corporation. The Corporation may designate financial assets and financial liabilities as held-for-trading when the designation:

- (i) eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognizing gains and losses on them, on different bases; or

Notes to Consolidated Financial Statements

December 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (ii) applies to groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information about the groups of financial instruments is reported to management on that basis.

Financial instruments designated as held-for-trading under the fair value option are accounted for at fair value with the change in the fair value recognized in net earnings.

Other liabilities

Financial liabilities not designated as held-for-trading are classified as other liabilities. Other liabilities are measured at amortized cost using the effective interest method. Bank indebtedness, accounts payable and accrued liabilities, dividends payable and long-term debt are designated as other financial liabilities.

Embedded derivatives

Derivatives may be embedded in other financial instruments (the 'host instrument'). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated using the fair value option. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings.

k) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates (including useful lives of depreciable assets used to compute amortization, asset impairment, the carrying amounts of and appropriate accounting for investments, provisions for contingencies related to environmental clean-up activities, insurance obligations and accounting for variable interest entities) require management to make subjective or complex judgments.

These financial statements are based on management's best estimate using information available. The increased volatility of financial markets has complicated this process due to the significant fluctuation of foreign exchange rates, commodity prices, and the current global economic decline. Accordingly, actual results could differ from these estimates thereby impacting future results by a material amount.

Notes to Consolidated Financial Statements

December 31, 2009

4. CASH AND CASH EQUIVALENTS

(thousands)

The major components of cash and cash equivalents are as follows:

	2009	2008
Cash on deposit	\$ 175,618	\$ 19,824
Short term investments (2008 - rates of interest varying between 1.30% and 2.65%) invested by the General Revenue Fund	-	155,803
	\$ 175,618	\$ 175,627
Supplementary cash flow information:		
Interest paid	\$ 3,767	\$ 6,711

5. DISCONTINUED OPERATIONS

The activity surrounding discontinued operations in the current year relates to specific assets identified within the operation of Big Sky Farms Inc. being held for resale.

6. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VARIABLE INTEREST ENTITIES

(thousands)

As noted in the summary of significant accounting policies (Note 3), the financial results of investments in subsidiaries, joint ventures, and variable interest entities are consolidated into the Corporation's financial results. These investments are as follows:

	2009	2008
Consolidated Investments		
Big Sky Farms Inc. (a)		
Equity cost \$37,013 (2008 - \$37,013)		
Debt cost \$3,500 (2008 - \$3,500)	\$ -	\$ 21,851
Foragen Technologies Limited Partnership (b)		
Cost \$12,950 (2008 - \$12,710)	2,699	2,629
Prairie Ventures Limited Partnership (c)		
Cost \$6,763 (2008 - \$7,372)	8,046	8,015
Meadow Lake Pulp Limited Partnership (d)		
Cost \$277,901 (2008 - \$277,901)	30,874	30,630
Other	2,073	3,857
	\$ 43,692	\$ 66,982

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6. CONSOLIDATED INVESTMENTS - SUBSIDIARIES, JOINT VENTURES, AND VARIABLE INTEREST ENTITIES (CONTINUED)

- a) The Corporation holds common shares and subordinated debt in Big Sky Farms Inc. (Big Sky). This subsidiary contributed losses of \$21,851 (2008 - loss of \$12,191) to the Corporation's financial results. In the fourth quarter of 2009, Big Sky sought creditor protection under CCAA and on November 10, 2009, the order was granted by the Saskatchewan Court of Queen's Bench. Subsequent to November 10, 2009, the Corporation has concluded it no longer holds control over this investment and therefore it has been accounted for as a cost basis investment after this date. See Note 23 for further details.
- b) The Corporation, through its wholly owned subsidiary CIC FLTP Holdings owns limited partnership units in Foragen Technologies Limited Partnership. This joint venture contributed losses of \$170 (2008 - loss of \$192) to the Corporation's financial results. During the year the Corporation made a \$300 (2008 - \$600) equity investment in the joint venture, and received \$60 (2008 - \$290) as a return of capital.
- c) The Corporation, through its wholly owned subsidiary CIC PVF Holdings Inc. owns limited partnership units in Prairie Ventures Limited Partnership. This subsidiary contributed earnings of \$648 (2008 - earnings of \$5,538) to the Corporation's financial results. During the year the Corporation received \$845 (2008 - \$6,156) from redemptions of units.
- d) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., has an equity interest in and loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation also has loans receivable from MLPLP through its wholly-owned subsidiary, 101069101 Saskatchewan Ltd. This variable interest entity contributed earnings of \$244 (2008 - \$983) to the Corporation's financial results.

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7. INVESTMENTS

(thousands)

	2009	2008
Equity Investments		
Bioriginal Food and Science Corp. (a)		
Cost \$7,835 (2008 - \$7,835)	\$ 1,676	\$ 2,408
Can Pro Ingredients Ltd. (b)		
Equity - cost \$5,355 (2008 - \$5,355)		
Debt - cost \$2,647 (2008 - \$1,575)	6,703	6,893
Clinicare Corporation (c)		
Equity - cost \$nil (2008 - \$3,000)		1,222
Corporation HET (d)		
Equity - cost \$3,000 (2008 - \$3,000)		
Debt - cost \$350 (2008 - \$nil)	1,933	2,614
Jump.ca Wireless Supply Corp.		
Cost \$6,418 (2008 - \$6,418)	9,183	8,270
L&M Wood Products Limited Partnership (e)		
Equity - cost \$1,550 (2008 - \$1,550)		
Debt - cost \$2,285 (2008 - \$2,450)		
Put options - cost \$nil (2008 - \$nil)	1,758	4,293
Meadow Lake Mechanical Pulp Inc. (f)		
Leases - cost \$nil (2008 - \$586)		
Debt - cost \$1,666 (2008 - \$3,316)	1,666	3,873
Meadow Lake OSB Limited Partnership (g)		
Cost \$29,800 (2008 - \$29,800)	24,620	27,700
Solido Design Automation Inc.(h)		
Cost \$3,500 (2008 - \$3,500)	748	1,526
VendAsta Technologies Inc. (i)		
Cost \$2,100 (2008 - \$600)	2,043	613
Western Life Sciences Venture Fund Limited Partnership (j)		
Cost \$7,600 (2008 - \$7,600)	275	
Other	1,849	1,422
	\$ 52,454	\$ 60,834

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7. INVESTMENTS (CONTINUED)

(thousands)

Available-for-sale investments - cost basis	2009	2008
MCN BioProducts Inc.		
Equity - cost \$1,502 (2008 - \$1,502)	\$ 1,502	\$ 1,502
Performance Plants Inc.		
Cost \$7,600 (2008 - \$7,600)	-	7,600
Phenomenome Discoveries Inc. (k)		
Cost \$6,867 (2008 - \$5,150)	6,867	5,150
Wave Energy Ltd. (l)		
Cost \$nil (2008 - \$11,999)		11,999
Quantec Geoscience Ltd.		
Cost \$3,000 (2008 - \$3,000)	3,000	3,000
Targeted Growth Canada Inc.		
Cost \$8,749 (2008 - \$8,749)	8,749	8,749
Other	4,218	5,464
	\$ 24,336	\$ 43,464

Available-for-sale investments - fair value basis	2009	2008
Axia NetMedia Corporation		
Cost \$3,025 (2008 - \$3,025)	\$ 795	\$ 875
Churchill Energy Inc.		
Cost \$nil (2008 - \$1,800)	-	1,800
Cordy Oilfield Services Inc.		
Cost \$232 (2008 - \$232)	388	420
Crescent Point Energy Corp. (m)		
Cost \$19,412 (2008 - \$89)	22,113	125
Premium Brands Holdings Corporation		
Cost \$13,608 (2008 - \$12,983)	17,013	9,975
PetroBakken Energy Ltd. (n)		
Cost \$2,790 (2008 - \$1,722)	2,706	1,720
Just Energy Exchange Corp. (o)		
Cost \$2,952 (2008 - \$1,334)	3,746	2,899
Other	1,987	752
	\$ 48,748	\$ 18,166

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INVESTMENTS (CONTINUED)

Held for trading	2009	2008
Clothing For Modern Times		
Equity - cost \$7,489 (2008 - \$7,489)		
Debt - cost \$7,780 (2008 - \$8,680)	\$ 14,505	\$ 16,294
	\$ 14,505	\$ 16,294
Loans and other advances	2009	2008
Stegg Ltd.		
Cost \$6,005 (2008 - \$6,005), Interest Rate - 14%		
Maturity - November 30, 2010	\$ 6,080	\$ 6,080
Terra Grain Fuels Inc.		
Cost \$24,893 (2008 - \$26,227), Interest Rate - 10.5%		
Maturity - May 13, 2012	24,900	26,836
Other	2,413	2,480
	\$ 33,393	\$ 35,396
Total investments	\$ 173,436	\$ 174,154

Equity basis investments

- Included in the net book value of Bioriginal Food and Science Corp. (Bioriginal) is \$1.5 million (2008 - \$1.7 million) of intangible assets identified upon acquisition. The various intangible assets with defined lives are being amortized over useful lives ranging from 0.5 years to 5 years.
- During the year the Corporation made a \$1.1 million debt investment in Can Pro Ingredients Ltd.
- The Corporation sold its ownership in Clinique Corporation during the year. The sale was effective November 30, 2009.
- Included in the investment balance of Corporation HFT (HFT) is \$1.4 million (2008 - \$1.7 million) of intangible assets identified upon acquisition. The various intangible assets with defined lives are being amortized over useful lives ranging from 3 years to 20 years.
- The Corporation holds a put option on its 18.60% ownership interest in the L&M Wood Products Limited Partnership (L&M), and L&M holds a call option on the Corporation's investment. The value of the two options varies from a low of the greater of the original investment plus a return of 20% and fair market value, to a high of the greater of the original investment plus a return of 25% and fair market value. The Corporation has not recorded any income related to this put option.

Notes to Consolidated Financial Statements

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7. INVESTMENTS (CONTINUED)

- f) During the year the Corporation's lease receivables in Meadow Lake Mechanical Pulp (MLMP) of \$0.6 million were repaid. The Corporation continues to hold debt investments in the company. During 2008, the Corporation sold its equity investment in MLMP for \$6.37 million and \$2.94 million of non-interest bearing loans were repaid.
- g) The Corporation, through its wholly-owned subsidiary CIC OSB Products Inc., owns limited partnership units in Meadow Lake OSB Limited Partnership (ML OSB). The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. 10,000,000 of these options are segment one options expiring December 19, 2011 and 9,980,000 are segment two options expiring October 1, 2008.

During 2008, the Corporation cancelled 1,872,220 of the segment one options held by Northwest Communities Holdings Inc. (NWC) as realization of security against the loan of \$2.3 million to NWC which was in default. The exercise price on the remaining 8,127,780 segment one options is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest.

During 2008, 9,980,000 segment two options expired unexercised. However, 5,000,000 of these options were extended until October 1, 2009. These options expired unexercised on October 1, 2009.

- h) The Corporation owns convertible, participating Class A and Class B preferred shares of Solido Design Automation Inc. Included in the total investment balance is \$0.8 million (2008 - \$0.9 million) of intangible assets identified upon acquisition. The various intangible assets are being amortized over useful lives up to 20 years.
- i) During the year, the Corporation made \$1.5 million of follow on equity investments in VendAsta Technologies Inc. based on the achievement of pre-established milestones.
- j) The Corporation, through its wholly-owned subsidiary CIC WLSVF Holdings Inc., owns class A partnership units in Western Life Sciences Venture Fund Limited Partnership.

Available for sale investments – cost basis

- k) During the year, the Corporation exercised warrants for an additional \$1.7 million equity investment in Phenomenome Discoveries Inc.
- l) On October 22, 2009, Crescent Point Energy Corporation (CPE), a publicly traded company listed on the Toronto Stock Exchange, announced completion of the plan of arrangement (announced August 24, 2009) to purchase all of the outstanding shares of Wave Energy Ltd. (Wave). Under the plan of arrangement, the Corporation received 0.21 CPE shares for each Wave share held, resulting in a gain on the Corporation's interest in Wave of \$7.4 million.

Available for sale investments – fair value basis

- m) The Corporation received 559,965 CPE shares upon the purchase of the Corporation's Wave shares by CPE as detailed in (l) above. The Corporation's deemed cost of these shares, based on the CPE share price as announced in the plan of arrangement on August 24, 2009, is \$19.4 million.

Notes to Consolidated Financial Statements

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7. INVESTMENTS (CONTINUED)

- n) On October 1, 2009, PetroBakken Energy Ltd., a publicly traded company listed on the Toronto Stock Exchange, announced the acquisition of TriStar Oil & Gas Ltd. pursuant to a plan of arrangement. The Corporation received shares of PetroBakken Energy Ltd. as well as cash consideration for each share of TriStar Oil & Gas Ltd.
- p) On July 2, 2009, Just Energy Exchange Corp. (Just Energy), a publicly traded company listed on the Toronto Stock Exchange, announced the acquisition of Universal Energy Group Ltd. (UEGL) pursuant to a plan of arrangement. The Corporation received 0.58 of Just Energy shares for each UEGL share, resulting in a gain on the Corporation's interest in UEGL of \$2.3 million.

Loans and other advances

- p) Loans and other advances maturing in 2010 total \$7.0 million (2009 - \$13.3 million).

8. EARNINGS (LOSSES) FROM INVESTMENTS

(thousands)

a) Earnings (losses) from equity basis investments:

	2009	2008
Bionigal Food & Science Corp.	\$ (317)	(1,186)
Can Pro Ingredients Ltd.	(1,527)	(473)
Clinicare Corporation	(597)	(988)
Corporation HET	(1,032)	(386)
Jump.ca Wireless Supply Corp.	1,709	1,509
L&M Wood Products Limited Partnership	(551)	(627)
Meadow Lake Mechanical Pulp Inc.	-	1,362
Meadow Lake OSB Limited Partnership	(3,080)	(5,397)
Solida Design Automation Inc.	(783)	(830)
Sasklerco Products Inc.	-	69,404
VendAsta Technologies Inc.	(70)	13
Western Life Sciences Venture Fund Limited Partnership	275	(1,919)
	(5,973)	60,782

b) Recovery of (provision for) loan losses :

	2009	2008
(Provision for) losses	\$ (816)	(141)
Recoveries of provisions for losses	88	440
Net recovery (provision) for losses	(728)	299

Notes to Consolidated Financial Statements

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8. EARNINGS (LOSSES) FROM INVESTMENTS (CONTINUED)

c) Recovery (write-down) of investments:

	2009	2008
Available-for-sale investments - recoveries (write-downs)	\$ (7,195)	35
Equity basis investments - (write-downs)	(263)	-
Held for trading investments - (write-downs)	(764)	-
	\$ (8,222)	\$ 35

(i) The Corporation has recorded a write-down in the amount of \$7.6 million with respect to its interest in Performance Plants Inc. This write-down was based on management's best estimate using information currently available. As subjective judgments were required to be made in this regard, there is inherent uncertainty surrounding measurement of this write-down.

9. PROPERTY, PLANT AND EQUIPMENT

(thousands)

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ -	\$ -	\$ -	\$ 48,979
Equipment	628	371	257	19,699
Lagoons and wells	-	-	-	8,048
Equipment under capital lease	-	-	-	6,709
Land	-	-	-	1,134
	\$ 628	\$ 371	\$ 257	\$ 84,569

Amortization expense for the year is \$4,940 (2008 - \$6,664). During the year, the Corporation has de-consolidated its interest in Big Sky. As a result, property, plant and equipment relating to Big Sky are no longer included in the Statement of Financial Position. See note 23 for further details.

Notes to Consolidated Financial Statements

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10. OTHER ASSETS

(thousands)

	2009	2008
Restricted cash	\$ 20,000	\$ 22,337
Breeding stock	-	11,431
	\$ 20,000	\$ 33,768

Amortization expense for the year is \$2,344 (2008 - \$3,332). Restricted cash consists of the long-term portion of cash held by the receiver of MLPLP of \$20,000 and is subject to the order of the Court of Queen's Bench of Saskatchewan. During the year, the Corporation has de-consolidated its interest in Big Sky. As a result, breeding stock relating to Big Sky is no longer included in the Statement of Financial Position. See note 23 for further details.

11. ENVIRONMENTAL LIABILITIES

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation has accrued \$26.8 million (2008 - \$25.6 million) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site owned by Domtar Inc. The Corporation is a successor corporation to PAPCO and these costs are reflected as part of discontinued operations.

The Corporation has accrued \$62.6 million (2008 - \$60.1 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Worldwide chemical plant. These costs are reflected as part of discontinued operations. The increase in the liabilities is as a result of external studies completed on the site.

Included in continuing operations is an accrual of \$9.3 million (2008 - \$9.3 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets.

Since the evaluation of the remediation for these sites are in the early stages, there is uncertainty as to the extent of the potential remediation required. The actual costs remain unknown and may differ from the amounts accrued by a material amount in the near term. Any change to the estimate of the environmental liabilities will be recorded prospectively once these uncertainties are resolved.

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11. ENVIRONMENTAL LIABILITIES (CONTINUED)

A reconciliation of the environmental liabilities balance is provided below (thousands):

	2009	2008
Environmental liabilities, beginning of year	\$ 9,538	\$ 11,526
Liabilities extinguished in the year	-	(2,000)
Change in liabilities due to loss of control of Big Sky	(288)	-
Accretion expense	-	12
Environmental liabilities, end of year	\$ 9,250	\$ 9,538

A reconciliation of the environmental liabilities of discontinued operations balance is provided below (thousands):

	2009	2008
Environmental liabilities, beginning of year	\$ 85,696	\$ 37,491
Liabilities incurred in the year	-	45,956
Accretion expense	3,629	2,249
Environmental liabilities, end of year	\$ 89,325	\$ 85,696

12. OTHER LIABILITIES

As part of the final closing of the sale of Crown Life Insurance Company (Crown Life), owned 65.2% by HARO Financial Corporation, to Canada Life Assurance Company (Canada Life), the Corporation issued a \$28.9 million (2008 - \$31.4 million) letter of credit to Canada Life as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life that are deemed to be the responsibility of Crown Life prior to the final closing. The letter of credit was reduced during the year due to the reduction in and extinguishment of estimated litigation matters. The Corporation recorded a provision of \$10.9 million (2008 - \$12.5 million) as its best estimate of the actual costs of such contingent liabilities.

13. SHARE, CAPITAL AND CAPITAL DISCLOSURES

(thousands)

As a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the Corporation's share capital currently consists of funds invested by CIC in the amount of \$180 million. The capital structure is determined in conjunction with the shareholder based on the approved business plans.

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations of the Corporation, and to ensure adequate returns to the shareholder.

The Corporation has a strong current ratio of 33:1, as at December 31, 2009 (2008 - 2.8:1) and has cash and short-term investments on hand to meet its debt obligations.

Notes to Consolidated Financial Statements

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13. SHARE CAPITAL AND CAPITAL DISCLOSURES (CONTINUED)

Authorized:	2009	2008
Unlimited common shares with no par value		
Issued and outstanding:		
17,999,983 common shares (2008 - 17,999,983)	\$ 180,000	\$ 180,000

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(thousands)

	2009	2008
Unrealized foreign currency translation gains (losses)	\$ (261)	\$ 156
Unrealized gains (losses) on available for sale securities	7,366	(861)
	\$ 7,105	\$ (705)

15. COMMITMENTS AND CONTINGENCIES

- The Corporation has committed to invest up to \$14.0 million in Foragen by October 13, 2010. The Corporation has provided \$13.4 million of this commitment to December 31, 2009 (2008 - \$13.1 million).
- The Corporation has committed to invest up to \$3.0 million in VendAsta Technologies Inc. Further funding of the commitment is based on achievement of agreed upon milestones. The Corporation has provided \$2.1 million of this commitment to December 31, 2009 (2008 - \$0.6 million).
- On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with Extendicare Inc. and the Directors and certain Officers of Crown Life. The Corporation indemnified the Directors and certain Officers of Crown Life for 65.2% of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid \$29.2 million in dividends from Crown Life to HARO. The indemnity was limited to the dividend plus 10% or \$32.1 million and terminates on April 1, 2010. During 2007, the amount of the indemnity was amended to a maximum of \$5.0 million.
- The future minimum payments under operating leases and contractual obligations for services including investment management services, technology provision and support, and space, in each of the next five years are as follows (thousands):

2010	\$ 947
2011	241
2012	241
2013	238
2014	157

Notes to Consolidated Financial Statements

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15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- e) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2009 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.
- f) The Corporation has entered into a investment management agreement with a third party investment manager. Under the terms of this agreement, the investment manager may be entitled to performance fees on gains realized upon the disposition of any investment. Due to the terms of the agreement, it is not possible to quantify the amount of such performance fees until the time of the disposition of the investment although the Corporation has accrued the best estimate of these fees at the reporting date. The performance fees related to unrealized gains on available-for-sale investments could be material.
- g) The Corporation is committed to invest up to a maximum of \$4.1 million for potential add-on investments by the Crown Fund, further to a previous agreement.

16. ITEMS NOT AFFECTING CASH FROM OPERATIONS

(thousands)

	2009	2008
Provision for environmental costs	\$ -	\$ 12
Provision for (recovery of) loan losses (Note 8(b))	728	(299)
(Recovery) write-down of investments (Note 8(c))	8,222	(35)
Provision for impairment of assets	17,939	1,328
Reduction in other liabilities	(1,594)	(1,125)
Working capital balances relating to investments	533	(1,497)
Earnings from equity basis investments	5,973	(60,782)
Amortization	7,284	9,996
Gain on sale of investments	(10,839)	(690,589)
Embedded derivative gains	897	(842)
Unrealized hedging losses (gains)	(121)	2,556
Future income taxes recovery	(225)	(9,253)
Non-controlling interest	(10,226)	(1,841)
Other non-cash items	(1,917)	422
	\$ 16,654	\$ (751,949)

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17. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

(thousands)

	2009	2008
Decrease in interest and dividends receivable	\$ 284	\$ 21
Increase in accounts receivable	(298)	(3,095)
(Increase) decrease in inventories	(1,948)	2,772
Decrease in prepaid expenses	389	137
Increase in accounts payable and accrued liabilities	6,699	3,779
	\$ 5,126	\$ 3,614

18. FINANCIAL RISK MANAGEMENT

a) Risk management activities

Certain of the Corporation's investments are exposed to fluctuations in commodity prices, exchange rates and interest rates and have entered into contracts to hedge or manage this exposure. The Corporation does not anticipate any material adverse effect on its financial position resulting from its subsidiaries involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

b) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Certain financial instruments including cash and cash equivalents, restricted cash, interest and dividends receivable, accounts receivable, accounts payable and accrued liabilities have carrying amounts that approximate fair value due to their short-term maturity.

The Corporation has classified the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels.

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 consists of cash and cash equivalents and publicly traded equities.

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Level 2 — Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reported date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value, volatility factors and broker quotations, which can be substantially observed or corroborated in the marketplace. Instruments in this category include non-exchange traded derivatives such as over-the-counter physical forwards and options, including those which have prices similar to quoted market prices. The Corporation obtained information from sources such as independent price publications and over-the-counter broker quotes.

Level 3 — Valuations in this level are those with inputs which are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value. Level 3 instruments include longer-term transactions, transactions in less active markets or transactions at locations for which pricing information is not available. In these instances, internally developed methodologies are used to determine fair value which primarily includes extrapolation of observable future prices to similar locations, similar instruments or later time periods.

At year end, the fair value of the following financial instruments is presented below (thousands):

	2009			2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 175,618	\$ -	\$ -	\$ 175,627	\$ -	\$ -
Publicly traded equities	48,748	-	-	18,166	-	-
Investments - warrants	-	-	6,725	-	-	7,489
Interest rate swap agreements	-	-	-	-	(458)	-
Foreign exchange forward contracts	-	-	-	-	9	-

c) Market risk

Market risk represents the potential for loss from changes in value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Corporation's financial instruments impacted by interest rate risk are its cash and cash equivalents, loans and other advances and long-term debt. The Corporation has estimated that with every increase of 1% in the bank rate, our earnings will increase by \$1.6 million (2008 - \$1.2 million).

Currency risk relates to some of the Corporation's subsidiaries and equity basis investments with operations in USD and converting these foreign currency earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Corporation has estimated that with every \$0.01 appreciation in the Canadian dollar, earnings before interest, taxes, depreciation and amortization will be adversely impacted by \$0.2 million (2008 - \$1.0 million).

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in the public equity markets. The Corporation's exposure to public equity markets is 27.7% (2008 - 10.4%) of its investment portfolio. The Corporation has estimated that with every 10% increase in the broad based North American public markets, the Corporation's portfolio of respective investments will increase by \$4.5 million (2008 - \$2.4 million).

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

The Corporation is exposed to credit risk through its short-term investments, interest, dividends and accounts receivable and loans and other advances. Credit risk related to short-term investments is minimal as the investments are with institutions carrying strong credit ratings. Interest and dividends receivable mainly relates to interest receivable on these short-term investments. The Corporation reviews the portfolio valuation annually.

The carrying amount of financial assets represents the maximum credit exposure as follows (thousands):

	2009	2008
Cash and cash equivalents	\$ 175,618	\$ 175,627
Interest and dividends receivable	499	783
Accounts receivable	1,435	6,029
Investments - held for trading	14,505	16,294
Investments - available for sale	73,084	61,630
Loans and other advances (i)	33,393	35,396
	\$ 298,534	\$ 295,759

(i) Included in the loan balance is \$6,080 in loans which are currently being restructured. The loans are in arrears on interest and therefore accrued interest in the amount of \$593 (2008 - \$476) has not been recorded in these financial statements.

The aging of receivables, which indicates potential impairment losses, is as follows (thousands):

	2009	2008
Current	\$ 371	\$ 5,845
0-30 days	880	-
31-60 days	52	47
Greater than 60 days	132	137
	\$ 1,435	\$ 6,029

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December 31, 2009

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Provisions for credit losses are regularly reviewed based on an analysis of the aging of customer accounts. Amounts are written off if the accounts are deemed uncollectible.

e) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and its capital allocation, can allocate resources to ensure that all financial commitments are met. Where necessary the Corporation can borrow funds from the GRF, or be provided or provide equity injections to solve any liquidity issues.

The following are the contractual maturities of financial liabilities, including interest payments (thousands):

December 31, 2009

	Carrying Amount	Contractual cash flows	1 year	2 years	3-5 years	More than 5 years
Accounts payable	\$ 5,990	\$ 5,990	\$ 5,990	\$ -	\$ -	\$ -

December 31, 2008

	Carrying Amount	Contractual cash flows	1 year	2 years	3-5 years	More than 5 years
Bank indebtedness	\$ 26,082	\$ 26,082	\$ 26,082	\$ -	\$ -	\$ -
Accounts payable	22,790	22,790	22,790	-	-	-
Long-term debt	59,199	83,425	14,175	(2,643)	33,551	23,056
	<u>\$ 108,071</u>	<u>\$ 132,297</u>	<u>\$ 63,047</u>	<u>\$ (2,643)</u>	<u>\$ 33,551</u>	<u>\$ 23,056</u>

19. EMPLOYEE FUTURE BENEFITS

Some of the Corporation's employees participate in defined contribution pension plans that require the Corporation and some of its employees to contribute to the plans based on employees' earnings. The Corporation's obligation is limited to the required contribution. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's 2009 pension cost and employer contributions are \$409 thousand (2008 - \$315 thousand).

Notes to Consolidated Financial Statements

December 31, 2009

20. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (thousands):

Category (as per financial statements)	2009	2008
Interest and dividends receivable	\$ -	\$ 358
Accounts payable and accrued liabilities	57	290
Interest and other revenues	369	4,496
Operating expenses	4,590	4,400
Financing expense	31	290

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

These consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

21. STOCK OPTION PLANS

During the year, one of the Corporation's subsidiaries had a stock option plan under which employees, officers and one of its directors were awarded common share stock options from time to time. Total compensation expense (recovery) recognized in income for stock-based employee compensation awards during the year was a recovery of \$30 thousand (2008 - expense of \$0.5 million).

22. RESTRICTED CASH

Restricted cash consists of \$21.3 million (2008 - \$20.6 million) relating to the current portion of cash held by the receiver of MLPLP and is subject to the order of the Court of Queen's Bench of Saskatchewan. Also included in restricted cash is \$nil (2008 - \$36.7) held in escrow related to the sale of Saskferco Products Inc. and \$0.3 million (2008 - \$nil) held in escrow related to the sale of Centennial Foods' operations.

Notes to Consolidated Financial Statements

December 31, 2009

23. IMPAIRMENT OF BIG SKY FARMS

On November 10, 2009, Big Sky, a 63% owned subsidiary of the Corporation, was granted creditor protection under CCAA. As a result, the Corporation concluded that its control over Big Sky was lost and the Corporation had no ability to exert significant influence. Accordingly, the Corporation's investment in Big Sky is no longer consolidated beginning November 10, 2009 and has been accounted for as a cost basis investment. As a result, the Corporation's consolidated financial statements include Big Sky's results of operations and cash flows to November 10, 2009 and no longer include the assets, liabilities and equity accounts of Big Sky at December 31, 2009.

Prior to de-consolidation on November 10, 2009, the Corporation recognized an impairment related to Big Sky's long lived assets based on continued low commodity prices, a strong Canadian dollar, high feed prices, and the Corporation's assessment of the future ongoing success of its hog operations. The net effect of this impairment, after income taxes and non-controlling interest was a reduction in the carrying value of the underlying investment in equity and subordinated debt of \$17.9 million. As a result, the carrying value of the Corporation's equity and subordinated debt investment in Big Sky is \$nil as at December 31, 2009.

24. SUBSEQUENT EVENTS

On February 11, 2010, the Saskatchewan Court of Queen's Bench approved a plan of arrangement that Big Sky presented. This plan will result in a significant restructuring of the capital structure of Big Sky, which includes the Corporation's equity and subordinated debt investments being converted into an equity interest.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

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